JURA ENERGY CORPORATION

Annual Financial Report

For the year ended September 30, 2008

JURA ENERGY CORPORATION
Management's Discussion and Analysis
September 30, 2008

This Management Discussion and Analysis ("MD&A") is a review of the results of operations and the financial position of the Company as at September 30, 2008, and for the years ended September 30, 2008 and 2007. This MD&A is dated December 12, 2008, and should be read in conjunction with the consolidated financial statements of the Company for the year ended September 30, 2008.

Jura Energy Corporation's ("Jura" or the "Company") annual consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada ("GAAP"), and are reported in Canadian currency.

Jura is listed and traded on the Toronto Stock Exchange under the trading symbol **JEC**. Additional information relating to Jura Energy Corporation is available on SEDAR at www.sedar.com.

Forward–looking Statements

This MD&A contains forward-looking statements. Readers are advised that any forward-looking statements contained in this MD&A are expressly qualified by the cautionary statements contained within the Forward-looking Statement section commencing on page 12 of this MD&A.

Non-GAAP Measurements

Within this MD&A, references are made to terms having widespread use in the oil and gas industry. "Netback" and "Working Capital" are not terms defined by GAAP in Canada and are regarded as non-GAAP measures. Netback is equal to petroleum and natural gas sales revenues less sales tax, royalties and production costs. Working capital is equal to current assets less current liabilities. Below are the calculations for each non-GAAP measure:

Netback:

	Years ended September 30, 2008	2007
Petroleum and natural gas sales	$ 1,623,272	$ 1,273,309
Less: Sales Tax	222,460	170,926
Royalty	144,091	122,329
Production expenses	340,427	120,542
	$ 916,294	$ 859,512

Working capital:

	September 30, 2008	September 30, 2007
Current assets	$ 7,906,492	$ 19,188,024
Current liabilities	(5,698,736)	(3,548,820)
	$ 2,207,756	$ 15,639,204

Overview

Jura Energy Corporation is an international energy company engaged in the exploration, development and production of petroleum and natural gas properties. The Company's activities are conducted exclusively in Pakistan where it has ownership positions in exploration, appraisal and development concessions.

The Company has substantially completed an extensive seismic acquisition program and is now evaluating the results of the data that extends over its properties acquired on June 2, 2006. In March 2008, the Company announced the signing of a long-term drilling contract and commenced drilling its first exploratory well, Kandra 4D, on August 16, 2008. The well was successfully drilled to a total depth of 2,229m, with targets being three potential hydrocarbon-bearing zones; the Sui Main Limestone, the Massive Sands in the Lower Goru and the Chiltan Limestone. The Chiltan zone was acidized, which resulted in the production of water. The decision was to taken to plug off the Chiltan zone and move uphole to commence testing of the Lower Goru, the primary target of the Kandra 4D well, where natural gas shows were also encountered during testing. Although there was flaring of natural gas during initial testing of the Lower Goru, the well produced water, the source of which has not yet been confirmed. Data from well logs and tests will be forwarded to independent engineering consultants

for analysis, with further action on the well to be determined after evaluation of these results by Jura and its partners. The drilling rig was released and is in the process of moving to the Jamali Deep target in Badin IV North where it is expected to commence drilling prior to the end of the year.

A number of additional drilling locations have been identified and the Company intends to commence drilling these prospects in fiscal 2009. Three development wells have been drilled during 2008 on properties acquired in January 2007 with the acquisition of Pyramid Energy International Inc, ("Pyramid"). Two of these have been completed and are producing natural gas; the third well has been drilled to its targeted depth, and is currently waiting to be acidized.

Overall performance

In March 2008 the Company announced that its in-country partner in Pakistan, the operator of the concessions, entered into a long-term drilling contract with Weatherford Drilling International for the provision of a new 1,500 horsepower drilling rig. Negotiations were recently concluded with Oil and Gas Engineering Company, SPA - Pakistan Branch ("SPA") to contract a 2,000 horsepower drilling rig, which is expected to be available in mid-December.

Drilling of the Kandra-4D well commenced on August 16, 2008 and the well was drilled to a total depth of 2,229m. The well targets are three potential hydrocarbon-bearing zones, the Sui Main Limestone (600-750m), the Lower Goru (1700-2000m), and the Chiltan Limestone (21250-2250m). Natural gas shows were encountered during initial testing of the Chiltan Limestone zone and subsequently from the Lower Goru zone. Data from well logs and tests will be forwarded to independent engineering consultants for analysis, with further action on the well to be determined after evaluation of these results by Jura and its partners.

The Company and its partners will consider a second Kandra well targeting the Chiltan Limestone zone, as seismic mapping indicates considerable potential updip from the Kandra 4D well location.

During fiscal 2008 the Company successfully drilled three development wells on the Block 22 concession in which its subsidiary company, Pyramid, has a 15.7895% ownership interest. The first well, Hassan-3, began producing natural gas in early January 2008 and the second well, Khanpur 2, came on production late in March 2008. An acidizing program is planned for Sadiq-2, the third development well, and will soon be completed with production of natural gas expected to follow shortly after. The Company has a net 10.5% interest in each of these three wells.

On September 30, 2008, the Company announced that they and their partner, Petroleum Exploration (Pvt) Limited ("PEL"), entered into an agreement in respect of six exploration concessions in Pakistan with Gulf Petroleum Exploration International ("GPX"). Pursuant to the agreement, the Company and PEL will each assign a 12.5% working interest in the following concessions to GPX: Badin IV North, Badin IV South, Kandra (excluding Sui Main Limestone development), Salam, Mirpur Mathelo, and Karsal. The conditions to which the agreement was subject, including the execution of definitive assignment agreements by all parties and the Government of Pakistan, were all fulfilled subsequent to year end, and the agreement closed with an effective date of April 1, 2008.

Under the terms of the agreement, GPX's obligations to the joint venture are to pay (i) 66.67% of the first US$6 million in expenditures to drill each of the first 4 exploration wells of the work program in the blocks, (ii) 58.33% of the first US$6 million in expenditures to drill each of the next 5 exploration wells of the program in the blocks, and (iii) 50% of the first US$6 million in expenditures to drill each of an additional 2 wells, contingent on there being at least 4 commercial discoveries from the first 9 wells drilled. In addition, the Company received cash consideration of US$4.25 million from GPX as payment towards historical costs and will be credited for 50% of GPX's working interest share of costs incurred from April 1, 2008, estimated to amount to US$2.3 million.

The Company substantially completed the acquisition phase of its seismic program during the year. Since the inception of the program, over 1,600 km of 2D seismic has been shot on the Company's concessions and an additional 1,600 km^2 of 3D data has been purchased over the Badin IV North and Badin IV South blocks. Processing and interpretation of previously acquired data continues. Following the completion of the Kandra 4D (deep) well, it is expected the Weatherford rig will be mobilized to the Badin IV North block for the drilling of the Jamali Deep target. The SPA rig will be mobilized to Mirpur Mathelo where it is currently anticipated that the Rafay #1 well will spud in late December or early January. Leads have also been identified in the Badin IV South and Salam blocks, with plans to finalize drilling locations for two wells in Badin IV North, four wells in Badin IV South and one well in Salam. The intention is to complete this work through 2009 and 2010.

In January 2007, the Company and PEL submitted a proposal to refurbish an existing power station which would utilize as feedstock natural gas from the Kandra natural gas field - the Company's development lease located in the Central Gas basin of Pakistan. On January 16, 2008, the Government of Pakistan, Ministry of Water and Power, (Private Power and Infrastructure Board) issued a formal Letter of Interest ("LOI") for a 120 Megawatt Combined Cycle Power Facility. Under the

terms of the LOI, the two partners in the power station development project will be responsible for the preparation of a detailed engineering study leading to the refurbishment of the existing power station, which will include the installation of new co-generation turbines and associated infrastructure. This study is nearing completion. Under a Field Development Plan previously approved by the Government of Pakistan, Ministry of Petroleum & Natural Resources, the power station will be fuelled by low-BTU gas supplied from the Kandra field, blended with pipeline quality gas to be purchased from the Sui Southern Gas Company Limited. Further seismic evaluation followed by the drilling of up to fourteen development wells on the Kandra concession will take place over the next two years.

The Company's investment in non-bank Asset Backed Commercial Paper ("ABCP") (SAT Series-A notes) was scheduled to mature on August 14, 2007 however the $15.0 million face value of the investment due on maturity was not funded by the issuer of the security. In July 2008, the Company sold $5.0 million face value of its original SAT Series-A commercial paper for $0.50 per $1.00 of face value of the notes owned, and accordingly has $10.0 million in face value of its initial investment remaining uncollected.

The Company's non-bank ABCP investment is one of a number of such investments in Canada that have been frozen since August 2007. A group representing banks, asset providers and major investors, referred to as the Pan-Canadian Investors Committee for Third-Party Structured Asset Backed Commercial Paper (the "Committee"), prepared a re-structuring plan (the "Plan") under the Companies' Creditors Arrangements Act which has received Court approval and is presently awaiting implementation.

Under the terms of the Plan, the Company as an existing noteholder, will receive restructured notes ("Notes") broken into four classes (A-1, A-2, B and C, in order of priority) with a combined face value of $10.0 million in exchange for its existing ABCP. The Notes will earn interest at a rate equal to 90 day Bankers Acceptances less 50 bps. Interest on Class A-1 notes is to be accrued and paid currently, with interest on all other Classes to be accrued, but only paid after interest on higher ranking Classes is paid. The Plan estimates that repayment of principal on Notes and accrued interest, where applicable, will be approximately December, 2016.

The Company negotiated a credit facility agreement with a Canadian chartered bank in January 2008 which has a limit of 65% of the face value on the Company's ABCP, and is secured solely by the ABCP. The credit facility repayment date was recently extended to October 2009 from October 2008. No amount has been drawn down on this facility as at September 30, 2008. The sale in July 2008 of one-third of the Company's ABCP investment has reduced the initial amount of the credit facility available by one-third to $6.50 million.

A summary discussion of resource related acquisitions that have been completed to date follows:

a) **Exploration and appraisal licences and development lease**

On June 2, 2006 the Company completed the acquisition of a number of petroleum and natural gas interests in Pakistan, comprised of ownership interests ranging from 47.5% to 50% in six exploration licences and a 37.5% interest in a development and production lease for a natural gas field. As of April 1, 2008, these ownership interests range from 35% to 37.5%, after giving effect to the reduction resulting from the GPX farm-out transaction.

The six licences and one lease cover a total area of 1,287,548 acres, with four interests being located in the Central Gas Basin, two interests in the Lower Indus Gas and Oil Basin and one in the northern oil-bearing Potwar Basin. The work program associated with these interests calls for extensive seismic evaluation and the drilling of up to ten exploration wells and fourteen development wells over a period of approximately 36 months.

For further information on the Company's petroleum and gas properties acquired on June 2, 2006, refer to the Company's September 30, 2008 Annual Information Form.

b) **Pyramid Energy International Inc.**

On November 3, 2006, the Company, together with PEL, signed a Share Purchase Agreement to acquire all of the issued and outstanding common, voting shares of Pyramid. Pursuant to the terms of the agreement, Jura acquired 66.665% of the shares of Pyramid and PEL acquired 33.335% of the Pyramid shares. The acquisition closed on January 3, 2007 with this being deemed the effective date of the acquisition for accounting purposes.

Pyramid's only petroleum and natural gas property is a 15.7895% interest in Block 22, a concession situated in the Central Gas Basin in Pakistan. The concession area had three natural gas wells on production when acquired. Since that time three additional developmental wells have successfully been drilled, two of which have been completed and are on production with the third planned to be completed and on production shortly.

Results of Operations

Annual Comparative Statement of Operations

	2008	2007	Change
Revenues			
Petroleum and natural gas sales	$ 1,623,272	$ 1,273,309	$ 349,963
Less: Sales Tax	222,460	170,926	(51,534)
Royalty	144,091	122,329	(21,762)
	1,256,721	980,054	276,667
Interest	402,157	882,676	(480,519)
Other income	3,941,236	2,193,870	1,747,366
	5,600,114	4,056,600	1,543,514
Expenses			
Production	340,427	120,542	(219,885)
Administration	3,595,703	4,972,249	1,376,546
Unrealized foreign exchange (gain)/loss	(126,652)	1,331,712	1,458,364
Realized foreign exchange losses	303,602	964,497	660,895
Realized loss on other assets	2,505,000	-	(2,505,000)
Valuation allowance on other assets	3,260,950	1,688,000	(1,572,950)
Unrealized loss on marketable securities	-	85,074	85,074
Depletion, depreciation and accretion	1,217,758	909,179	(308,579)
	11,096,789	10,071,254	(1,025,535)
Loss before non-controlling interest and taxes	(5,496,675)	(6,014,654)	517,979
Non-controlling interest	36,262	(145,544)	(181,806)
Future income tax (recovery) expense	(55,000)	538,800	593,800
Net loss and comprehensive loss for the year	$ (5,477,937)	$ (6,407,910)	$ 929,973

Petroleum and natural gas operations for the comparative year are reflected from the effective date of the acquisition of Pyramid on January 3, 2007, and are therefore for less than a full year.

Total sales volumes for the current year were 839,692 Mcf (2007: 621,115 Mcf), net sales volumes were 559,235 Mcf (2007: 413,663 Mcf). The increase in sales volumes in the current year is due to a full twelve months of production in 2008 compared to nine months in 2007 and the increased production in the current year from two additional wells.

Sales tax for the current year was 13.7% (2007: 13.4%) as a percentage of gross revenues. Royalties for the year were 8.9% (2007: 9.6%). Production expenses in the current year were $0.41/Mcf compared to $0.20/Mcf in 2007 which was a result of an increase in operator charges and an extended annual maintenance turnaround in the current year.

The resource activities for the year resulted in a gross netback of $916,294 (net: $610,847) as compared to a gross netback for 2007 of $859,512 (net: $572,994).

Depletion expense on petroleum and natural gas operations was $1,168,173 or $1.39/Mcf in 2008 (2007: $846,707 or $1.36/Mcf).

Interest revenues from short term investments for the year totalled $402,157, a reduction of $480,519 from the prior year. The decrease results from a combination of lower cash balances on deposit and the lower rate of return received in the current year.

Other income for the current year includes the proceeds of $1,937,500 on settlement of a legal action the Company brought against its former auditors in September 2003. During the year the Company received net proceeds of $1,252,971 upon

completion of several transactions that resulted in the utilization of previously unrecognized tax losses. The Company also recorded a gain, net of selling expenses, of $871,298 from the disposition of shares of an inactive subsidiary. The proceeds from sale were US$51,000 of which the Company received US$1,000 in cash and a promissory note for the remainder. The disposition resulted in the elimination of the non-controlling interest in the U.S. subsidiary together with liabilities related thereto in the amount of $833,298 from the consolidated balance sheet of the Company. This amount has been recorded in other income as part of the gain on the sale of the inactive subsidiary.

A gain on settlement of a legal claim for $1,324,246 was recorded in the comparative fiscal year, and arose from the conclusion of, and satisfaction of all conditions related to a legal settlement agreement reached with former officers of the Company. An additional $500,000 settlement was reached on a separate legal claim on September 25, 2007 that related to the former operations of the Company.

General and administrative expenses of $3,595,703 for 2008 are down by $1,376,546 (28%) from the comparative year. This reduction is due primarily to the reduction of legal fees incurred by the Company on matters related to former operations in the U.S. Reduced stock based compensation expense by $459,130 to $641,893 for 2008 compared to 2007 was also a factor in the lower expense.

The Company entered into a foreign currency option contract on July 12, 2007 under which US$14.0 million was purchased for C$14,655,200 (FX conversion rate = 1.0468) on October 12, 2007, the expiry date of the contract. Based on the Canadian to United States currency exchange rate of 0.9983 at September 30, 2007, the Company recognized an unrealized loss of $707,000 on this financial instrument for the year ended September 30, 2007. At expiry of the contract on October 12, 2007, the Company incurred a total realized loss of $1,020,386; the additional $313,386 is recorded as a realized loss in the current year.

The Company's investment in non-bank ABCP (SAT Series-A notes) was scheduled to mature on August 14, 2007 however the $15.0 million face value of the investment due on maturity was not funded by the issuer of the security. In July 2008, the Company sold $5.0 million face value of its original SAT Series-A commercial paper for $0.50 per $1.00 of face value of the notes owned, and accordingly has $10.0 million in face value of its initial investment remaining uncollected. This sale resulted in the realized loss of $2,505,000 in the current year results. Based on this sale and the use of a discounted cash flow model, the Company recorded $3,260,950 of valuation allowance on its remaining investment in ABCP for the year ended September 30, 2008 in addition to the $1,688,000 recorded in the year ended September 30, 2007.

Refer to subheading (e) of the critical accounting estimates section of this MD&A for information regarding the valuation allowance on other assets.

Fourth Quarter Results

Petroleum and natural gas sales averaged net 1,608 Mcf/day in the fourth quarter of 2008 (2007: 1,500 Mcf/day). Sales revenues were $423,610 compared to $398,780 in 2007 as the effect of increased production was offset by change in Canadian and U.S. dollar exchange rate over the period.

Sales tax was 14.4% (2007: 12.4%) of revenues and royalties were 8.0% (2007: 9.1%) of revenues for the fourth quarter. Production expenses were $0.36/Mcf in the fourth quarter of 2008 compared to $0.21/Mcf for the comparable quarter in 2007 with the change being a result of increased operator charges in the 2008 quarter compared to 2007.

The Company accrued proceeds of $1,937,500, which were received subsequent to year end, on settlement of a legal action the Company brought against its former auditors in September 2003.

General and administrative expenses were $836,567 (2007: $1,394,720) with the decrease caused by a reduction of legal fees incurred on matters related to former operations in the U.S. and stock based compensation expense which decreased by $962,221 to $95,897 for 2008 as compared to 2007.

Capital Expenditure Summary

In March 2008 the Company announced that PEL, the operator of the concessions in Pakistan, entered into a long-term drilling contract with Weatherford Drilling International for the provision of a new 1,500 horsepower drilling rig. Negotiations were recently concluded with Oil and Gas Engineering Company, SPA - Pakistan Branch ("SPA") to contract a 2,000 horsepower drilling rig, which is expected to be available in mid-December.

Drilling of the Kandra-4D well commenced on August 16, 2008 and the well was drilled to a total depth of 2,229m. The well targets are three potential hydrocarbon-bearing zones, the Sui Main Limestone (600-750m), the Lower Goru (1700-2000m), and the Chiltan Limestone (21250-2250m). Natural gas shows were encountered during initial testing of the Chiltan

Limestone zone. The Chiltan zone was acidized, which resulted in the production of water. The decision was then taken to plug off the Chiltan zone, and move uphole to commence testing of the Lower Goru, the primary target of the Kandra 4D well, where natural gas shows were also encountered during testing. Although there was flaring of natural gas during initial testing of the Lower Goru, the well produced water, the source of which has not yet been confirmed. Data from well logs and tests will be forwarded to independent engineering consultants for analysis, with further action on the well to be determined after evaluation of these results by Jura and its partners. The drilling rig was released and is in the process of moving to the Jamali Deep target in Badin IV North where it is expected to commence drilling prior to the end of the year.

The Company and its partners will consider a second Kandra well targeting the Chiltan Limestone zone, as seismic mapping indicates considerable potential updip from the Kandra 4D well location.

During fiscal 2008, the Company successfully drilled three development wells on the Block 22 concession in which its subsidiary company, Pyramid, has a 15.7895% ownership interest. The first well, Hassan-3, began producing natural gas in early January 2008 and the second well, Khanpur 2, came on production late in March 2008. An acidizing program is planned for Sadiq-2, the third development well, and will be soon completed with production of natural gas expected to follow shortly after. The Company has a net 10.5% interest in each of these three wells. The Block 22 partners have approved the installation of a compressor on the currently producing fields and it is anticipated this will be operational by mid-2009.

The Company substantially completed the acquisition phase of its seismic program during the year ended September 30, 2008. Since the inception of the program, over 1,600 km of 2D seismic has been shot on the Company's concessions and an additional 1,600 km^2 of 3D data has been purchased over the Badin IV North and Badin IV South blocks. Processing and interpretation of previously acquired data continues. Following the completion work on the Kandra 4D well, it is expected the rig will be mobilized to the Badin IV North block for the drilling of the Jamali Deep target. Leads have also been identified in the Badin IV South, Salam, and Mirpur Mathelo blocks, with plans to finalize drilling locations for two wells in Badin IV North, four wells in Badin IV South, one well in Salam and one well in Mirpur Mathelo. The intention is to complete this work through 2009 and 2010.

The table below provides a breakdown by concession and type of the total capital expenditures for the Company of $17,026,648 for the year ending September 30, 2008. Total exploration expenditures are $16,119,166 with development expenditures of $907,482 in the Company's interest in Block 22.

	Exploration	Development	Total
Kandra	$ 5,323,446	$ -	$ 5,323,446
Mirpur Mathelo	1,676,212	-	1,676,212
Badin IV North	4,330,015	-	4,330,015
Badin IV South	4,299,809	-	4,299,809
Karsal	132,123	-	132,123
Salam	357,561	-	357,561
Block 22	-	907,482	907,482
	$16,119,166	$ 907,482	$17,026,648

Summary of Selected Quarterly Information (unaudited)
(000's, except for per share amounts)

	2008				2007			
	Q4	Q3 (restated - note)	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	$ 2,224.0	$ 1,239.2	$ 1,686.8	$ 450.1	$ 1,640.4	$ 966.1	$ 1,163.8	$ 576.7
Expenses	$ 2,815.6	$ 4,493.8	$ 1,969.3	$ 1,799.3	$ 6,383.5	$ 1,875.3	$ 1,822.4	$ 673.8
Net earnings (loss)	$ (591.6)	$ (3,254.6)	$ (282.5)	$ (1,349.2)	$ (4,743.1)	$ (909.2)	$ (658.6)	$ (97.1)
- per share	$ (0.01)	$ (0.03)	$ (0.00)	$ (0.01)	$ (0.03)	$ (0.01)	$ (0.01)	$ (0.01)

Note – Revenues for 2008:Q3 have been increased by $871 from the amount previously reported to recognize the gain arising from the elimination of a non-controlling interest, together with the liabilities related thereto, as a result of the disposition by the Company of its inactive U.S. subsidiaries.

Liquidity and capital resources

The Company presently anticipates expending approximately $13.2 million for its proportionate share of contractually committed exploration and development activities on its concessions within Pakistan. This includes the remaining amounts relating to the farm-in with its in-country partner and the minimum contracted cost of the Weatherford drilling rig under contract.

Beyond its contracted committed expenditures the Company is currently planning to drill up to 9 more exploration wells, up to fourteen development wells and one additional production well over the next three fiscal years. The 9 exploration wells are part of the required work program in the exploration licences in order to maintain the current exploration acreage. The Company's proportionate share of these costs is estimated to be $13.2 million which is anticipated to be incurred over the next two to three years. The Company currently has no contractual obligations that extend beyond five years.

The Company is participating in the development and upgrading of a power generation plant located nearby the Kandra development lease, with preliminary estimates anticipating that the Company's share of capital expenditures will amount to $60.5 million in respect of a 120 megawatt facility. The partners on this project are currently completing a feasibility study in order to assess the economic feasibility of this project. If the project is deemed economically feasible, the Company will need to raise additional funds of which $49 million is expected to be raised through debt financing secured by the power plant and the remaining $11.5 million raised through other means.

The uncertainty surrounding the timing and ultimate realization of the Company's remaining investment of $10.0 million face value of ABCP has negatively affected the Company's working capital position, with the possible consequence that the Company may be required to seek capital financing in a greater amount than may otherwise have been the case, and may do so earlier than was otherwise expected. The Company sold $5 million face value of the ABCP in July, 2008 for cash proceeds of $2.495 million and is actively looking to monetize its remaining investment. The Company has a credit facility with a present limit of $6.5 million (determined as 65% of the face value of the Company's ABCP investment) with the ABCP being the sole security therefore.

During 2008, the Company realized net cash proceeds of $3.1 million through the settlement of legal matters from past years, and through transactions which resulted in the utilization of non-capital losses from prior years. The closing of the farm-out agreement with GPX subsequent to September 30, 2008 resulted in the Company receiving US$4.25 million for past costs and entitlement to an estimated additional US$2.3 million for GPX's working interest share of costs from April 1, 2008 onwards. The $30.0 million bought deal equity financing that closed on June 6, 2007 also provided funding for the 2007 and 2008 capital expenditure program, and for portions of the 2009 capital commitments as well as general corporate activities.

The Company has not yet concluded agreements that will be required to raise the additional capital funding referred to above, and failure to do so in a timely manner could result in the potential relinquishment of the Company's interests in its concession grants. Factors that could affect the Company's ability to attract equity and debt funding would include economic downturns affecting capital markets in North America and Europe, and the potential consequences arising from political instability should it continue within Pakistan.

Summary of payments due by period:

	Total	2008 (Remaining)	2009	2010 - 2013	After 2013
Contractual obligations					
Operating leases - office space	$ 591,816	$ 35,352	$ 134,823	$ 421,642	$ -
Exploration and development expenditure obligations to earn ownership interests and contractually committed work	13,168,437	429,479	3,738,958	9,000,000	-
	$ 13,760,253	$ 464,831	$ 3,873,781	$ 9,421,642	$ -

Related party transactions

For the year ended September 30, 2008, the Company recorded $241,685 (2007 - $297,177) for Directors fees and related costs. At September 30, 2008, $41,728 (2007 - $30,200) was due to these directors and included in accounts payable and accrued liabilities in the consolidated balance sheet.

In connection with its Pakistan operations, the Company shares certain office facilities, personnel, and other office and administrative costs with a company for which certain officers and directors are also Directors of the Company. For the year ended September 30 2008, the Company's share of these costs amounted to $255,580 (2007: $300,618); there was no amount outstanding at the year end.

In May 2007, the Company commenced providing financial and accounting services to Loon Energy Inc. ("Loon"), which owns 6.4% of the outstanding shares of the Company. Two directors and officers of Loon are directors of the Company. For the year ended September 30, 2008, the Company charged fees and associated costs totalling $270,708 (2007 – $141,011). At September 30, 2008, $33,555 (2007 – $141,011) was due from Loon and included in accounts receivable on the consolidated balance sheet.

The above related party transactions were at exchange amounts agreed to by both parties which approximate their fair value.

Critical accounting estimates

The Company's consolidated financial statements are prepared in conformity with Canadian generally accepted accounting principles. In so doing, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the measurement and disclosure of contingent assets and liabilities at the date of the financial statements together with the reported amounts of revenues and expenses for the reporting periods then ended. Actual results could differ from these estimates. Estimates and judgements used are based on management's experience and the assumptions used are believed to be reasonable given the circumstances that exist at the time the consolidated financial statements are prepared. Predicting the outcome of future events cannot be done with certainty however, and therefore estimates used may change as new events occur, additional experience is acquired or the Company's operating environment changes.

The Company considers the following accounting estimates to be critical given the uncertainties that exist at the time the consolidated financial statements are prepared:

a) Litigation

The Company is involved in a number of lawsuits – both as plaintiff and as defendant – that relate to its former business activities as a merchant bank. One unresolved legal action is disclosed in the Company's financial statements at September 30, 2008 with two other claims disclosed that have been settled subsequent to September 30, 2008. The Company's consolidated financial statements at September 30, 2008 reflect a liability (Note Payable) in the amount of $650,000. The Company believes it has valid legal defences against the claim made against it in respect of this action and that the balance

of the note payable reflects the maximum financial liability likely to arise from this action. Until this legal matter is resolved however, the final amount of the potential liability is not determinable.

b) Depletion and depreciation expense

Depletion and depreciation of petroleum and natural gas properties and equipment is provided using the unit-of-production method and proved reserves. The Company has retained an independent reservoir engineering firm to determine proved reserves used in the depletion and depreciation provision, however it should be recognized that the determination of proved reserves requires the use of estimates and assumptions by the reservoir engineers which are based of their professional expertise and experience. Volumes are converted to equivalent units on the basis that one barrel of oil is equivalent to six thousand cubic feet of natural gas.

c) Cost recovery test on property and equipment

The Company performs a cost recovery test on its Pakistan cost centre at least annually to evaluate and if appropriate, recognize impairment when the carrying value of property and equipment exceeds the undiscounted future cash flows from proven reserves using estimated future commodity prices. The amount of any impairment to be recognized is determined as the excess of the carrying value over fair value. Fair value is determined using proven and probable reserves together with undeveloped properties, and is based on the present value of expected future cash flows discounted at a risk-free rate of interest. Future cash flows from proven reserves are determined for the Company by independent reservoir engineers, and require the use of estimates and professional judgement as described above for depletion and depreciation expense. Future commodity prices used by the independent reservoir engineers are based on estimates of prices that will occur in the future, and as such there can be no certainty that such prices will actually be realized.

d) Asset retirement obligations

The Company's asset retirement obligation has been determined by management based on estimates of the cost to abandon wells located in Pakistan in accordance with acceptable oilfield practices prevailing in the country, and in accordance with legal requirements.

e) Carrying value of Investment in Asset Backed Commercial Paper

The Company's investment in non-bank ABCP (SAT Series-A notes) was scheduled to mature on August 14, 2007 however the $15.0 million face value of the investment due on maturity was not funded by the issuer of the security. In July 2008, the Company sold $5.0 million face value of its original SAT Series-A commercial paper for $0.50 per $1.00 of face value of the notes owned, and accordingly has $10.0 million in face value of its initial investment remaining uncollected.

The Company's non-bank ABCP investment is one of a number of such investments in Canada that have been frozen since August 2007. A group representing banks, asset providers and major investors referred to as the Pan-Canadian Investors Committee for Third-Party Structured Asset Backed Commercial Paper (the "Committee") prepared a re-structuring plan (the "Plan") under the Companies' Creditors Arrangements Act which has received Court approval and is presently awaiting implementation.

Under the terms of the Plan, the Company as an existing noteholder, will receive restructured notes ("Notes") broken into four classes (A-1, A-2, B and C, in order of priority) with a combined face value of $10.0 million in exchange for its existing ABCP. The relative proportions of each class to be received are based on a valuation of all affected ABCP conducted by experts retained for this purpose by the Committee. Based on information contained within the Plan documents, the relative proportion of Notes expected by the Company is: Class A-1 notes – 15.84%; Class A-2 notes – 69.24%; Class B notes – 11.92%; and Class C notes – 3.00%.

The Notes will earn interest at a rate equal to 90 day Bankers Acceptances less 50 bps. Interest on Class A-1 notes is to be accrued and paid currently, with interest on all other Classes to be accrued, but only paid after interest on higher ranking Classes is paid. The Plan estimates that repayment of principal on Notes and accrued interest, where applicable, will be approximately December, 2016.

At September 30, 2008, the Company determined a valuation allowance for its remaining $10.0 million face value by considering and evaluating two valuation methods:

1. On the basis of the July, 2008 sale to an unrelated third party of $5.0 million of its non-bank ABCP at $0.50 in cash for each $1.00 in face value, the Company valued its entire remaining ABCP investment at 50% of its face value. At present there is no active secondary market to independently support such a valuation, and the Company recognizes that this one sale does not constitute an active secondary market. Accordingly, the Company utilized its

discounted cash flow valuation model used in determining previous interim periods' valuations to assess the reasonability of the 50% valuation.

2. Re-calculated discounted cash flow model. The Company's valuation allowance of 50% of the face value of the non-bank ABCP investment would be achieved by using the following assumptions in a discounted cash flow model:
   a) Receipt of Notes: January 1, 2009
   b) Maturity date of Notes: December, 2016
   c) Interest yield rates: 3.20%
   d) Discount rates by class A-1 & A-2 - 10%
      B - 29.75%
      C - 36.75%

The Company concluded that a valuation allowance representing 50% of the face value of the remaining non-bank ABCP was reasonable based on the assumptions outlined above, and accordingly, for the year ended September 30, 2008, recognized $5,765,950 in valuation allowance of which $2,505,000 is a realized loss and the remainder is unrealized.

At September 30, 2007 the Company made a fair value determination of this ABCP investment using a probability weighted valuation technique to reflect the expected realization in an active secondary market. Potential "realization outcomes" ranging from a low of 65% to a high of 100% of the face value of the ABCP investment were each assigned a probability factor in determining the Company's estimate of the most likely realizable value of its ABCP investment. This valuation technique resulted in a valuation allowance of $1,688,000 that was recognized at September 30, 2007.

There is no certainty as to whether a Canadian non-bank ABCP market will eventually be restored, or whether the Company will be able to sell its remaining non-bank ABCP for cash and consequently the timing and amount of any future cash flows may vary materially from current estimates.

New accounting policies

The Canadian Institute of Chartered Accountants ("CICA") issued new accounting standards that apply to the Company with effect from October 1, 2007. The Company has determined that these standards, which have been adopted prospectively, will not have a material effect on the consolidated financial statements.

Financial instruments – disclosure and presentation CICA handbook section 3862, "Financial Instruments – Disclosure" and Section 3863, "Financial Instruments – Presentation" replace section 3861 "Financial Instruments – Disclosure and Presentation". The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. They are also intended to remove any duplicate disclosures and simplify the disclosures about concentrations of risk, credit risk, liquidity risk and price risk previously found in Section 3861. The new presentation standard carries forward the former presentation requirements.

Accounting changes
CICA handbook section 1506, "Accounting Changes". Under the new standard, accounting policies are changed only if they are required by a primary source of GAAP or if they result in financial statements which provide reliable and more relevant information. Accounting policy changes are applied retrospectively unless it is otherwise permitted or where it is impracticable to determine either the period-specific effects or the cumulative effect of the change. Corrections of prior period errors are applied retrospectively and changes in accounting estimates are applied prospectively by including these changes in operations.

Capital disclosures
CICA handbook section 1535, "Capital Disclosures" requires additional disclosure of objectives, policies and processes for managing capital. In addition, disclosures will include whether companies have complied with externally imposed capital requirements.

Future accounting policy changes:

Goodwill and intangible assets

CICA handbook section 3064 , " Goodwill and Intangible Assets" will be effective October 1, 2008. The Company will be required to adopt this standard, which replaces CICA sections 3062 and 3450 and provides guidance relating to the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company does not expect that the adoption of this standard will have a material effect on the consolidated financial statements.

International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable profit-oriented enterprises will be required to use International Financial Reporting Standards ("IFRS") in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. For the Company, this will mean that interim and annual consolidated financial statements will be prepared in accordance with IFRS for 2011 fiscal year, and will include comparative figures for the 2010 fiscal year prepared in accordance with IFRS as well. Over the next three years, Canadian GAAP will be modified to converge with IFRS.

The Company's financial executives are familiarizing themselves with the new IFRS principles and requirements through formalized training and industry focus groups, and in particular, those that apply specifically to companies with petroleum and natural gas operations and exploration and development activities. An evaluation of IFRS conversion requirements that pertain to the Company will be conducted throughout the first half of 2009, which will then lead to the development of an implementation plan to transition the Company's financial reporting process, including internal controls and information systems to IFRS. During this evaluation, IFRS early adoption provisions will be investigated, and the Company will evaluate whether early adoption is allowable and/or feasible. The evaluation will also allow the Company to be in a position to estimate the initial financial impact of the transition to IFRS so key stakeholders and users of the financial information can begin to understand the overall consequences of this process.

Financial instruments

The Company's consolidated financial statements reflect a number of financial instruments, including cash and short-term deposits, accounts receivable, accounts payable and accrued liabilities and notes payable. In conformance with the Company's accounting policy regarding the recognition and measurement of financial instruments, all of these aforementioned assets and liabilities are recorded at their fair value. The Company is exposed to the following risks related to financial assets and liabilities:

a) Interest rate risk

The Company maintains its short-term deposits in instruments that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations thereon. Other interest rate risks on the Company's obligations are not considered material.

b) **Credit risk**

The Company's accounts receivable are primarily due from joint venture partners, government agencies and customers operating within the international petroleum and natural gas industry, and are subject to credit and political risks that would be considered normal in this environment.

The Company has an investment with a maturity value of C$10.0 million in non-bank Canadian Asset Backed Commercial Paper with a maturity date of August 14, 2007. The Company made an estimate of the impact of the credit risk when calculating a valuation discount as at September 30, 2008.

c) Foreign currency exchange risk

The Company is exposed to risks arising from fluctuations in currency exchange rates between Canadian dollars, United States dollars and Pakistan rupees. At September 30, 2008 the Company's primary exposures relate to U.S. dollars held on deposit for the Government of Pakistan and for commitments related to expenditures on petroleum and natural gas properties which are typically denominated in United States dollars.

Cash and cash equivalents	US $	641,594
Restricted cash		3,085,625
Accounts receivable		2,085,746
Accounts payable and accrued liabilities		(4,253,195)
Net foreign exchange exposure	US $	1,559,770

At September 30, 2008 if the Canadian dollar had strengthened by 10% compared to the U.S. dollar and all other variables were held constant, after tax net income would have been $0.2 million lower. Conversely, if the Canadian dollar had weakened by 10% an equal increase of $0.2 million to after tax net income would have resulted.

d) Fair value

The recorded value of the majority of the Company's financial assets and liabilities approximate their fair values due to their demand nature or because of their relatively short term to maturity.

(a) Liquidity risk

The Company monitors its liquidity position regularly to ensure that it has the funds necessary to complete planned exploration commitments on its petroleum and natural gas properties or that viable options are available to fund such commitments from new equity issuances or alternative sources such as farm-out agreements. However, as an exploration company at an early stage of development and without significant internally generated cash flow, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that actual exploration expenditures may exceed those planned.

Outstanding share data

Common shares

	Number of shares		Stated value
Balance, September 30, 2006	*89,794,194*	$	178,884,558
Issuance of shares for business acquisition	*1,608,889*		1,232,570
Bought deal equity financing, net of costs of issuance	*26,100,000*		27,131,299
Stock options exercised	*250,000*		215,000
Balance, September 30, 2007 and 2008	*117,753,083*	$	207,463,427

Stock Options

The Company's stock option plan reflects the current requirements of the Toronto Stock Exchange regarding security based compensation agreements, and as such the aggregate number of shares to be issued under the stock option plan is limited to 10% of the Common Shares outstanding from time to time. The exercise price for options issued under the plan will be set by the Board of Directors, and cannot be less than the market price of the shares at the time of the grant calculated in accordance with the Toronto Stock Exchange's rules.

Share purchase options outstanding are as follows:

	Number	Exercise price per share
Balance outstanding, September 30, 2006	5,920,000	
Granted December 13, 2006; expire December 13, 2011	2,140,000	$1.00
Granted January 8, 2007; expire January 8, 2012	350,000	$1.00
Granted June 5, 2007; expire June 5, 2012	100,000	$1.15
Options exercised	(250,000)	$0.69
Balance outstanding, September 30, 2007	8,260,000	
Granted December 20, 2007; expire December 20, 2012	2,500,000	$0.41
Granted March 25, 2008; expire March 25, 2013	130,000	$0.45
Options forfeited	(435,000)	
Balance outstanding, September 30, 2008	10,455,000	

Common Share Purchase Warrants

	Number	Exercise price per share
Balance outstanding, September 30, 2006	15,900,000	
Exerciseable for eighteen months from June 6, 2007	1,566,000	$1.15
Expiry of warrants on August 19, 2007	(15,000,000)	$1.50
Balance outstanding, September 30, 2007	2,466,000	
Expiry of warrants on August 19, 2008	(900,000)	$1.00
Balance outstanding, September 30, 2008	1,566,000	

Forward Looking Statements

This MD&A contains forward-looking statements. These statements relate to future events or future performance of the Company. When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "predict", "seek", "propose", "expect", "potential", "continue", and similar expressions, are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect the Company's current views with respect to certain events, and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance, or achievements to vary from those described in this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated, or expected. Specific forward-looking statements in this MD&A, among others, include statements pertaining to the following:

- factors upon which the Company will decide whether or not to undertake a specific course of action;
- world-wide supply and demand for petroleum products;
- expectations regarding the Company's ability to raise capital;
- treatment under governmental regulatory regimes; and
- commodity prices.

With respect to forward-looking statements in this MD&A, the Company has made assumptions, regarding, among other things:

- the impact of increasing competition;
- the Company's ability to obtain additional financing on satisfactory terms;
- the Company's ability to obtain exploration and development services and equipment on an absolute basis, or on terms considered by the Company to be justifiable; and
- the Company's ability to attract and retain qualified personnel.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:

- general economic conditions;
- volatility in global market prices for oil and natural gas;
- competition;
- liabilities and risks, including environmental liability and risks, inherent in oil and gas operations;
- the availability of capital; and
- alternatives to and changing demand for petroleum products.

Furthermore, statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitable in the future.

The forward–looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. These statements speak only as of the date of this MD&A. The Company does not intend and does not assume any obligation, to update these forward-looking statements to reflect new information, subsequent events or otherwise, except as required by law.

Disclosure Controls and Procedures, and Internal Controls over Financial Reporting

The preparation of this MD&A is supported by a set of disclosure controls and procedures as at September 30, 2008. Disclosure controls and procedures have been designed to provide reasonable assurance that material information required to be disclosed by the Company is accumulated, appropriately processed and communicated to the Company's management to allow timely decisions regarding and preparation of required disclosures. The Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, however they do not expect that the disclosure controls and procedures will prevent all errors and/or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for designing Internal Controls over Financial Reporting ("ICFR") or causing them to be designed under their supervision. Senior management believes that the Company's system of ICFR is appropriately designed to provide reasonable assurance regarding the reliability of financial reporting systems and the preparation of consolidated financial statements for external purposes in accordance with Canadian GAAP. However the Company recognizes that its ICFR has a number of inherent weaknesses due to the geographical distribution of the Company's senior management staff, and the limited number of staff employed by the Company. At the Company's present stage of development, it is not economically feasible to achieve complete segregation of otherwise incompatible duties. Management believes that it has designed sufficient compensating internal controls, comprised primarily of management and Board review and oversight, to mitigate these limitations.

A system of ICFR, no matter how well conceived or operated can provide only reasonable, not absolute, assurance that the objectives of the ICFR are met. At present, the Chief Executive Officer, and the Chief Financial Officer oversee all material transactions and there is daily oversight by management of the Company. The Audit Committee and the Board review the interim and annual consolidated financial statements.

Approval
The Company's Board of Directors has approved the disclosure contained within this MD&A. A copy of the MD&A is available on SEDAR at www.sedar.com.

Jura Energy Corporation

Consolidated Financial Statements

For the years ended September 30, 2008 and 2007

JURA ENERGY CORPORATION

Management's Report

The Consolidated Financial Statements of Jura Energy Corporation and related financial information were prepared by, and are the responsibility of Management. The Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles. The Consolidated Financial Statements and related financial information reflect amounts which must of necessity be based upon informed estimates and judgments of Management with appropriate consideration to materiality. The Company has developed and maintains systems of controls, policies and procedures in order to provide reasonable assurance that assets are properly safeguarded, and that the financial records and systems are appropriately designed and maintained, and provide relevant timely and reliable financial information to management.

PricewaterhouseCoopers LLP are the external auditors appointed by the shareholders, and they have conducted an independent examination of the corporate and accounting records in order to express an Auditors Opinion on these consolidated financial statements.

The Board of Directors has established an Audit Committee. The Audit Committee reviews with Management and the external auditors any significant financial reporting issues, the consolidated financial statements, and any other matters of relevance to the parties. The Audit Committee meets quarterly to review and approve the interim financial statements prior to their release, as well as annually to review the Company's annual financial statements, Management's discussion and analysis, and the Annual Information Form, and to recommend their approval to the Board of Directors. The external auditors have unrestricted access to the Company, the Audit Committee and the Board of Directors.

"Signed"

Graham S. Garner
President and Chief Executive Officer
(acting)

"Signed"

Paul H. Rose
Vice-President, Finance and Chief Financial Officer

December 12, 2007

PRICEWATERHOUSECOOPERS

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December 12, 2008

Auditors' Report

To the Shareholders of Jura Energy Corporation

We have audited the consolidated balance sheets of Jura Energy Corporation as at September 30, 2008 and 2007 and the consolidated statements of changes in equity, operations and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2008 and 2007 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta

Jura Energy Corporation
Consolidated Balance Sheet

	September 30, 2008	September 30, 2007
Assets		
Current assets		
Cash and cash equivalents (note 5)	$ 3,520,761	$ 16,375,519
Marketable securities	-	274,738
Accounts receivable	4,374,977	2,527,175
Prepaid expenses and deposits	10,754	10,592
	7,906,492	19,188,024
Other assets (note 6)	8,260,454	16,325,976
Property and equipment (note 7)	81,065,332	65,127,346
	$ 97,232,278	$ 100,641,346
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 5,048,736	$ 2,191,820
Deferred foreign exchange option loss (note 8)	-	707,000
Note payable (note 9)	650,000	650,000
	5,698,736	3,548,820
Asset retirement obligation (note 10)	306,387	177,291
Future income taxes (note 16)	2,532,800	2,587,800
Non-controlling interest in subsidiaries (note 11)	1,832,444	2,629,480
	10,370,367	8,943,391
Shareholders' equity		
Share capital (note 12)	207,463,427	207,463,427
Contributed surplus (note 13)	22,601,920	21,960,027
Deficit	(143,203,436)	(137,725,499)
	86,861,911	91,697,955
	$ 97,232,278	$ 100,641,346

Commitments (note 17)
Subsequent event (note 21)

Jura Energy Corporation
Consolidated Statement of Changes in Equity

	For the years ended September 30, 2008	2007
Share capital (note 12)		
Balance, beginning of year	$ 207,463,427	$ 178,884,558
Changes during the year	-	28,578,869
Balance, end of year	207,463,427	207,463,427
Contributed surplus (note 13)		
Balance, beginning of year	21,960,027	20,170,769
Changes during the year	641,893	1,789,258
Balance, end of year	22,601,920	21,960,027
Deficit		
Balance, beginning of year	(137,725,499)	(131,317,589)
Net loss and comprehensive loss	(5,477,937)	(6,407,910)
Balance, end of year	(143,203,436)	(137,725,499)
Total equity	$ 86,861,911	$ 91,697,955

Jura Energy Corporation
Consolidated Statement of Operations and Comprehensive Loss

	For the years ended September 30, 2008	2007
Petroleum and natural gas sales	$ 1,623,272	$ 1,273,309
Less:		
Sales tax	222,460	170,926
Royalty	144,091	122,329
	1,256,721	980,054
Interest	402,157	882,676
Other income (note 15)	3,941,236	2,193,870
	5,600,114	4,056,600
Expenses		
Production	340,427	120,542
Administration	3,595,704	4,972,250
Unrealized foreign exchange (gain)/loss	(126,652)	1,331,712
Realized foreign exchange losses	303,602	964,497
Realized loss on sale of ABCP (note 6)	2,505,000	-
Valuation allowance on ABCP (note 6)	3,260,950	1,688,000
Unrealized loss on marketable securities	-	85,074
Depletion, depreciation and accretion	1,217,758	909,179
	11,096,789	10,071,254
Loss before non-controlling interest and taxes	(5,496,675)	(6,014,654)
Non-controlling interest (note 11)	36,262	(145,544)
Income taxes		
Future income tax (recovery) expense (note 16)	(55,000)	538,800
Net loss and comprehensive loss	$ (5,477,937)	$ (6,407,910)
Loss per share	$ (0.05)	$ (0.06)

Jura Energy Corporation
Consolidated Cash Flow Statement

	For the years ended September 30, 2008	2007
Operating activities		
Net loss	$ (5,477,937)	$ (6,407,910)
Realized foreign exchange loss on note receivable (note 4)	-	298,076
Items not involving cash:		
Depletion, depreciation and amortization	1,217,758	909,179
Future income taxes	(55,000)	538,800
Loss on sale of marketable securities	120,533	-
Gain on sale of inactive entity	(871,298)	-
Unrealized loss on revaluation of marketable securities	-	85,074
Gain on settlement of a legal claim	-	(1,324,246)
Unrealized foreign exchange loss	(126,652)	1,331,712
Realized and unrealized valuation allowance on other assets	5,765,950	1,688,000
Recoveries on settlement of amounts payable	-	(369,624)
Stock based compensation	641,893	1,101,023
Non-controlling interest	36,262	(145,544)
	1,251,509	(2,295,460)
Changes in other current assets and liabilities	(2,336,206)	(550,692)
	(1,084,697)	(2,846,152)
Financing activities		
Note receivable	-	(298,076)
Common shares issued	-	30,187,500
Common share issuance costs	-	(2,152,966)
	-	27,736,458
Investing activities		
Proceeds from sale of (investment in) ABCP	2,495,000	(14,938,950)
Proceeds on sale of investments	154,205	1,019,915
Proceeds on sale of inactive entity	990	-
Release of restricted funds	-	500,000
Business acquisition	-	(5,650,946)
Property and equipment	(17,026,648)	(9,806,420)
Change in accounts payable related to capital expenditures	2,638,198	(1,001,726)
	(11,738,255)	(29,878,127)
Effect of exchange rate changes on cash	(31,806)	(228,157)
Change in cash and cash equivalents	(12,854,758)	(5,215,978)
Cash and cash equivalents, beginning of year	16,375,519	21,591,496
Cash and cash equivalents, end of year	$ 3,520,761	$ 16,375,519
Supplemental cash flow information		
Interest received	$ 402,157	$ 882,676
Interest paid	$ -	$ 2,131

Jura Energy Corporation
Notes to Consolidated Financial Statements
September 30, 2008

1. Basis of preparation

Jura Energy Corporation ("the Company") is an energy exploration, development and production company with active operations focused in Pakistan. The Company's audited consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and are presented in Canadian currency and include the accounts of the Company and its wholly-owned subsidiaries Frontier Acquisition Company, Frontier Holdings Limited and its 66.665% ownership of Pyramid Energy International Inc. Jura Energy Corporation is listed on the Toronto Stock Exchange and trades under the symbol "JEC".

2. Future operations

The Company has limited production and generates limited cash flow from current operations. At this time all exploration activities and overhead costs are financed by way of equity issuances and by a farm-out agreement through which a third party has reimbursed the Company for a portion of historical costs and will pay a portion of the Company's expenditures to earn a portion of the Company's ownership interest. Continuing operations are dependent on the Company's ability to access sufficient capital to complete exploration and development activities, identify commercial oil and gas reserves and to ultimately have profitable operations.

3. Significant accounting policies

New accounting policies

The Canadian Institute of Chartered Accountants ("CICA") issued new accounting standards that apply to the Company beginning October 1, 2007. These standards, which have been adopted prospectively, did not have a material effect on the consolidated financial statements.

Financial instruments – disclosure and presentation CICA handbook section 3862, "Financial Instruments – Disclosure" and Section 3863, "Financial Instruments – Presentation" replace section 3861 "Financial Instruments – Disclosure and Presentation". The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. They are also intended to remove any duplicate disclosures and enhance the disclosures about concentrations of risk, credit risk, liquidity risk and price risk previously found in Section 3861. The new presentation standard carries forward the former presentation requirements (note 18)

Accounting changes
CICA handbook section 1506, "Accounting Changes". Under the new standard, accounting policies are changed only if they are required by a primary source of GAAP or if they result in financial statements which provide reliable and more relevant information. Accounting policy changes are applied retrospectively unless it is otherwise permitted or where it is impracticable to determine either the period-specific effects or the cumulative effect of the change. Corrections of prior period errors are applied retrospectively and changes in accounting estimates are applied prospectively by including these changes in operations.

Capital disclosures
CICA handbook section 1535, "Capital Disclosures" requires additional disclosure of objectives, policies and processes for managing capital. In addition, disclosures will include whether companies have complied with externally imposed capital requirements (note 14).

(a) Principles of consolidation
The accompanying consolidated financial statements of the Company include the accounts of the Company and its wholly and partially owned subsidiaries. The Company owns 66.665% of Pyramid Energy International Inc. ("Pyramid"), and records 100% of the results of operations and balances of Pyramid in the consolidated financial statements with an offsetting liability recorded as non-controlling interest.

(b) Property and equipment
The Company follows the full cost method of accounting for its resource activities, and accordingly all costs related to the exploration for and development of petroleum and natural gas reserves are accumulated in one cost centre for Pakistan. Capitalized costs include: concession, land and lease acquisition costs, geological and geophysical expenditures, the carrying costs associated with undeveloped and non-producing properties, drilling and completion costs of productive and non-productive properties, and related production, gathering and plant equipment costs. A portion of overhead charges directly related to acquisition, exploration and development activities are capitalized. Proceeds received from the disposition of properties are normally credited to the cost centre without recognition of a gain or loss unless such treatment would result in a change of 20% or more to the depletion rate.

3. **Significant accounting policies (continued)**

The Company performs a cost recovery test at least annually to evaluate and if appropriate, recognize impairment when the carrying value of property and equipment exceeds the undiscounted future cash flows from proven reserves using estimated future commodity prices as determined by independent consulting engineers. The amount of any impairment to be recognized is determined as the excess of the carrying value over fair value. Fair value is determined using proven and probable reserves together with undeveloped land, and is based on the present value of expected future cash flows discounted at a risk-free rate of interest.

(c) Depletion
Depletion of petroleum and natural gas properties is provided using the unit-of-production method and proved reserves. Expenditures on undeveloped properties are excluded from the depletion provision until related reserves are proven or impairment is recognized. Volumes are converted to equivalent units on the basis that one barrel of oil is equivalent to six thousand cubic feet of natural gas.

(d) Other property and equipment
Office and computer equipment are recorded at cost and are depreciated over the estimated useful lives of the asset on the declining balance basis at rates ranging from 20% to 30%; leasehold improvements are depreciated on a straight-line basis over the remaining term of the lease. Expenditures associated directly with the feasibility study on the power station project have been capitalized. Depreciation expense has not yet been provided on the power station project assets as commercial operations have not yet commenced.

(e) Cash and cash equivalents
Cash and cash equivalents includes cash on hand and short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

(f) Asset retirement obligations
The Company recognizes the fair value of its asset retirement obligation as a liability at the time it incurs a legal obligation for future abandonment and reclamation costs resulting from its resource operations. The asset retirement obligation is initially measured at its estimated fair value, which is the discounted future value of the liability, with the liability then accreting each subsequent period until the obligation is settled. The estimated fair value of the asset retirement obligation is capitalized to the petroleum and natural gas properties and equipment accounts, and is depleted over the estimated useful life of these assets. Asset retirement expenditures, up to the recorded liability at that time, are charged to the liability.

(g) Joint ventures
The Company conducts all of its exploration, development and production activities with partners, and accordingly these consolidated financial statements reflect only the Company's proportionate interest in such activities.

(h) Foreign currency translation
The Company considers its operations in Pakistan and Canada to be integrated, and uses the Canadian dollar as its reporting currency. Non-Canadian dollar denominated assets and liabilities are translated at the exchange rates prevailing at the balance sheet dates for monetary items, and at historical transaction dates for non-monetary items. Revenues and expenses, except for depletion, depreciation and amortization, are translated at average exchange rates for the period; depletion, depreciation and amortization are translated at the same rates as the related assets. Gains or losses on translation are reflected in the Company's Statement of Operations.

(i) Financial instruments

Financial assets and liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net earnings or loss. Financial assets and liabilities available-for-sale are measured at fair value, with changes in those fair values recognized in other comprehensive income or loss. Financial assets held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization.

(j) Revenue recognition
Revenue derived from the sale of the Company's petroleum and natural gas products is recognized when title to the product passes from the Company to its customer.

(k) Income taxes
Income taxes are calculated using the liability method of tax accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future

3. **Significant accounting policies (continued)**

income taxes and liabilities. Future income tax assets and liabilities are calculated using tax rates that are enacted or substantively enacted and are expected to apply in the periods that the temporary differences are expected to reverse. To the extent that management does not consider it more likely than not that a future income tax asset will be realized, a valuation allowance is provided.

(l) Stock based compensation
The Company has issued options to directors, officers and employees to acquire common shares. These options are accounted for using the fair value method which estimates the value of the options at the date of grant using the Black-Scholes option pricing model. The fair value thus established is recognized as an expense over the vesting period of the options with a corresponding increase to contributed surplus. When the options are exercised, the proceeds received and the applicable amount in contributed surplus will be credited to capital stock.

(m) Earnings per share
Basic earnings per share is calculated by dividing net earnings attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share, when appropriate, is calculated using the treasury stock method which adjusts earnings and weighted average shares outstanding to recognize the effect, if any, of the exercise of in-the-money stock options and warrants.

(n) Measurement uncertainty
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the period. Actual results may differ materially from those estimates.

Significant estimates are included in the determination of the provisions for depletion and depreciation of petroleum and natural gas assets and the asset retirement obligations liability and the accretion thereof. Depletion and the ceiling test are based on estimates of reserves, which by their nature include estimates of future production rates, oil and gas prices and costs, as well as other assumptions. The Company's estimate of the fair value of its holding of asset backed commercial paper involves estimates of timing, discount rates and other market factors. These and other estimates are subject to measurement uncertainty and the effect on the financial statements of changes in estimates could be material.

(o) Litigation
The Company assesses each lawsuit on an action by action basis as to the probability that a claim will be successful. Claims are not reflected as an asset or recovery in the consolidated financial statements until such time that there is a high degree of certainty that the claim will be successful, taking into consideration all avenues of appeal and settlement. Claims reflected as liabilities or expenses are recorded when the amount can be estimated and the occurrence of the payment of the claim is likely although the actual amount may differ from what had been previously estimated.

(p) Comparative amounts
Certain comparative amounts have been reclassified to conform to the current year's presentation.

Future Accounting Policy Changes

Goodwill and intangible assets

CICA handbook section 3064 , " Goodwill and Intangible Assets" will be implemented by the Company effective October 1, 2008. This standard, which replaces CICA sections 3062 and 3450, provides guidance relating to the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company does not expect that the adoption of this standard will have a material effect on the consolidated financial statements.

International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable profit-oriented enterprises will be required to use International Financial Reporting Standards ("IFRS") in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Over the next three years, Canadian GAAP will be modified to converge with International Financial Reporting Standards ("IFRS").

The Company's financial executives are familiarizing themselves with the new IFRS principles and requirements through formalized training and industry focus groups, and in particular, those that apply specifically to companies with petroleum and natural gas operations and exploration and development activities. An evaluation of IFRS conversion requirements that pertain to the Company will be conducted throughout the first half of 2009, which will then lead to the development of an implementation plan to transition the Company's financial reporting process, including internal controls and information systems to IFRS. During this evaluation, IFRS early adoption provisions will be investigated, and the Company will

3. Significant accounting policies (continued)

evaluate whether early adoption is allowable and/or feasible. The evaluation will also allow the Company to be in a position to estimate the initial financial impact of the transition to IFRS so key stakeholders and users of the financial information can begin to understand the overall consequences of this process.

4. Business acquisition

On January 3, 2007, the Company closed an agreement to acquire 66.665% of the issued and outstanding voting shares of Pyramid Energy International Inc. – a company whose sole petroleum and natural gas property is a 15.7895% interest in a concession situated in the Central Gas Basin in Pakistan referred to as Block 22. The Company's comparative Statement of Operations reflects Pyramid's revenues and expenses (less non-controlling interest) since the date of closing and is thus less than a full year of operations.

The cost to the Company for its interest in Pyramid amounted to $7,112,394 with consideration consisting of a cash payment of $5,831,198 (US$5,028,893 converted to Canadian currency at 1.1595), the issuance of 1,608,889 common shares valued at $1,232,570, and $48,626 in legal and professional fees paid. The valuation of the Company's common shares issued was based on the weighted average closing price of the Company's shares on the TSX for the five day trading period ended January 5, 2007.

A summary balance sheet showing the allocation of the purchase consideration at January 3, 2007 is as follows:

Current assets		
Cash	$	228,878
Accounts receivable		356,452
Petroleum and natural gas properties		10,749,340
Current liabilities		
Accounts payable and accrued liabilities		(79,354)
Asset retirement obligation		(152,195)
Future income tax liability		(2,049,000)
Non-controlling interest		(1,941,727)
	$	7,112,394

In connection with this acquisition, the Company loaned $3,582,465 (US$3,067,774) to Petroleum Exploration (Pvt) Limited (a private Pakistani company with whom the Company conducts joint operations in Pakistan) representing their share of the purchase consideration payable for their 33.335% minority interest in Pyramid. The loan was repaid in full by September 30, 2007. The Company realized a foreign exchange loss of $298,076, in the year ended September 30, 2007, on the settlement of the loan receivable.

5. Cash and cash equivalents

	September 30, 2008		September 30, 2007	
Cash	$	1,175,978	$	778,445
Short term investments in HSBC (Canada) issued Bankers Acceptances and Bearer Deposit Notes		2,344,783		15,597,074
	$	3,520,761	$	16,375,519

6. Other assets

	September 30, 2008	September 30, 2007
Restricted cash (not available for general corporate purposes)		
Provided as security for bank guarantee to the Government of Pakistan for exploration and development expenditure commitments made pursuant to the granting of petroleum exploration licences; invested in interest bearing securities	$ 3,270,454	$ 3,075,026
Non-bank Asset Backed Commercial Paper ("ABCP")		
Cash invested to purchase $15.0 million face value of ABCP		14,938,950
Estimated fair value at beginning of year	13,250,950	
Less:		
Proceeds on sale of $5.0 million face value of ABCP	(2,495,000)	
Realized loss on sale	(2,505,000)	
Valuation allowance	(3,260,950)	(1,688,000)
	4,990,000	13,250,950
	$ 8,260,454	$ 16,325,976

Non-bank asset backed commercial paper
The Company's investment in non-bank ABCP (SAT Series-A notes) was scheduled to mature on August 14, 2007 however the $15.0 million face value of the investment due on maturity was not funded by the issuer of the security. In July 2008, the Company sold $5.0 million face value of its original SAT Series-A commercial paper for $0.50 per $1.00 of face value of the notes owned, and accordingly has $10.0 million in face value of its initial investment remaining uncollected.

The Company's non-bank ABCP investment is one of a number of such investments in Canada that have been frozen since August 2007. A group representing banks, asset providers and major investors referred to as the Pan-Canadian Investors Committee for Third-Party Structured Asset Backed Commercial Paper (the "Committee") prepared a re-structuring plan (the "Plan") under the Companies' Creditors Arrangements Act which has received Court approval and is presently awaiting implementation.

Under the terms of the Plan, the Company as an existing noteholder, will receive restructured notes ("Notes") broken into four classes (A-1, A-2, B and C, in order of priority) with a combined face value of $10.0 million in exchange for its existing ABCP. The relative proportions of each class to be received are based on a valuation of all affected ABCP conducted by experts retained for this purpose by the Committee. Based on information contained within the Plan documents, the relative proportion of Notes expected by the Company is: Class A-1 notes – 15.84%; Class A-2 notes – 69.24%; Class B notes – 11.92%; and Class C notes – 3.00%.

The Notes will earn interest at a rate equal to 90 day Bankers Acceptances less 50 bps. Interest on Class A-1 notes is to be accrued and paid currently, with interest on all other Classes to be accrued, but only paid after interest on higher ranking Classes is paid. The Plan estimates that repayment of principal on Notes and accrued interest, where applicable, will be approximately December, 2016.

At September 30, 2008, the Company determined a valuation allowance for its remaining $10.0 million face value by considering and evaluating two valuation methods:

1. On the basis of the July, 2008 sale to an unrelated third party of $5.0 million of its non-bank ABCP at $0.50 in cash for each $1.00 in face value, the Company valued its entire remaining ABCP investment at 50% of its face value. At present there is no active secondary market to independently support such a valuation, and the Company recognizes that this one sale does not constitute an active secondary market. Accordingly, the Company utilized its discounted cash flow valuation model used in determining previous interim periods' valuations to assess the reasonability of the 50% valuation.

6. Other assets (continued)

2. Re-calculated discounted cash flow model. The Company's valuation allowance of 50% of the face value of the non-bank ABCP investment would be achieved by using the following assumptions in a discounted cash flow model:
   a) Receipt of Notes: January 1, 2009
   b) Maturity date of Notes: December, 2016
   c) Interest yield rates: 3.20%
   d) Discount rates by class A-1 & A-2 -10%
      B – 29.75%
      C – 36.75%

The Company concluded that a valuation allowance representing 50% of the face value of the remaining non-bank ABCP was reasonable based on the assumptions outlined above, and accordingly, for the year ended September 30, 2008, recognized $5,765,950 in valuation allowance of which $2,505,000 is a realized loss and the remainder is unrealized.

At September 30, 2007 the Company made a fair value determination of this ABCP investment using a probability weighted valuation technique to reflect the expected realization in an active secondary market. Potential "realization outcomes" ranging from a low of 65% to a high of 100% of the face value of the ABCP investment were each assigned a probability factor in determining the Company's estimate of the most likely realizable value of its ABCP investment. This valuation technique resulted in a valuation allowance of $1,688,000 that was recognized at September 30, 2007.

There is no certainty as to whether a Canadian non-bank ABCP market will eventually be restored, or whether the Company will be able to sell its remaining non-bank ABCP for cash and consequently the timing and amount of any future cash flows may vary materially from current estimates.

7. Property and equipment

	September 30, 2008	September 30, 2007
Petroleum and natural gas properties	$ 85,563,277	$ 68,609,117
Power generation project	118,088	-
Office and computer equipment	518,658	447,585
Leasehold improvements	327,232	327,232
	86,527,255	69,383,934
Accumulated depletion, depreciation and accretion	(5,461,923)	(4,256,588)
	$ 81,065,332	$ 65,127,346

Included in petroleum and natural gas property expenditures for the year ended September 30, 2008 are capitalized general and administrative costs in the amount of $1,205,530 (2007: $1,404,567). Unproven property costs of $70,407,679 (2007: $54,254,734) have been deducted from and future capital costs of $871,173 (2007: $878,792) have been added to costs subject to depletion and amortization for the year ended September 30, 2008.

The following independent engineering consultant's prices were used in the ceiling test as at September 30, 2008.

	2008	2009	2010	2011	2012	2013
Natural Gas (US$/mmbtu)	$ 2.43	$ 2.43	$ 2.50	$ 2.57	$ 2.65	$ 2.73

During the year ended September 30, 2008, expenditures of $118,088 were incurred that relates to the Company's interest in a power generation project. This project is in the feasibility study stage and as such there has been no depreciation recorded for this project to date.

8. Deferred foreign exchange option loss

The Company entered into a foreign currency option contract on July 12, 2007 under which US$14.0 million was purchased for C$14,655,200 (FX conversion rate = 1.0468) on October 12, 2007, the expiry date of the contract. Based on the Canadian to United States currency exchange rate of 0.9983 at September 30, 2007, the Company recognized an unrealized loss of $707,000 on this financial instrument for the year ended September 30, 2007. At expiry of the contract on October 12, 2007, the Company incurred a total realized loss of $1,020,386; the additional $313,386 is recorded as a realized loss in the year ended September 30, 2008.

9. Note payable

The note payable is due to former unit-holders and shareholders of a former subsidiary of the Company and is part of a legal claim currently being litigated (note 19(a)). The note is unsecured, and the Company is not recording interest expense related thereto. Due to the nature of the liability, the amount recorded is equal to its fair value.

10. Asset retirement obligation

The Company's asset retirement obligations result from its working interest ownership in petroleum and natural gas properties, including tangible well equipment and processing facilities. The Company's estimate of the total undiscounted cash flows required to settle asset retirement obligations is $538,349, which is expected to be incurred between 2012 and 2017. Accretion expense for the period is included with depletion, depreciation and amortization.

The Company's credit adjusted risk free rate of interest of 8% and inflation at an annual rate of 2% were used to calculate the net present value of the asset retirement obligation.

	September 30, 2008	September 30, 2007
Balance, beginning of year	$ 177,291	$ -
Business acquisition (note 4)	-	152,195
Additions	116,673	18,046
Accretion	12,423	7,050
Balance, end of year	$ 306,387	$ 177,291

11. Non-controlling interest in subsidiaries

	September 30, 2008	September 30, 2007
Balance, beginning of year	$ 2,629,480	$ 833,298
Business acquisition (note 4)	-	1,941,727
Current operations	36,262	(145,545)
Disposition of inactive subsidiary (note 15)	(833,298)	-
Balance, end of year	$ 1,832,444	$ 2,629,480

During 2008 the Company sold its shareholding in an inactive U.S. subsidiary that remained from the Company's former operations as a merchant bank. The disposition has resulted in the elimination of the non-controlling interest in the U.S. subsidiaries, and the liability related thereto, from the consolidated balance sheet of the Company and is reflected as part of the gain on sale of inactive subsidiary in note 15.

12. Share capital

(a) Authorized

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. The preferred shares may be issued in one or more series, with rights and privileges for each series as determined by the Board of Directors.

12. Share capital (continued)

(b) Issued

Common shares issued:

	Number of shares		Stated value
Balance, September 30, 2006	89,794,194	$	178,884,558
Issuance of shares for business acquisition	1,608,889		1,232,570
Bought deal equity financing, net of costs of issuance	26,100,000		27,131,299
Stock options exercised	250,000		215,000
Balance, September 30, 2007 and 2008	117,753,083	$	207,463,427

The weighted average number of common shares outstanding used in computing loss per share for 2008 is 117,753,083 shares (2007: 99,490,569 shares).

On June 6, 2007 the Company closed a $30.0 million bought deal equity financing in which 26,100,000 common shares were issued at a price of $1.15 per share. The costs of issuance for this financing included cash expenses of $2,152,966 and the issuance of 1,566,000 broker warrants exercisable at $1.15 to which an imputed fair value of $730,735 has been ascribed. The broker warrants estimated fair value was calculated using the Black-Scholes option pricing model with the following variables and assumptions: (a) risk free interest rate of 4.6% (b) expected life of 2 years, (c) expected volatility of 82%, and (d) no expected dividends.

(c) Stock Options

The Company's stock option plan reflects the current requirements of the Toronto Stock Exchange regarding security based compensation agreements, and as such the aggregate number of shares to be issued under the stock option plan is limited to 10% of the Common Shares outstanding from time to time. Further, the exercise price for options issued under the plan will be set by the Board of Directors, and cannot be less than the market price of the shares at the time of the grant calculated in accordance with the Toronto Stock Exchange's rules.

Share purchase options outstanding are as follows:

Balance outstanding, September 30, 2006	5,920,000	
Granted December 13, 2006; expire December 13, 2011	2,140,000	$1.00
Granted January 8, 2007; expire January 8, 2012	350,000	$1.00
Granted June 5, 2007; expire June 5, 2012	100,000	$1.15
Options exercised	(250,000)	$0.69
Balance outstanding, September 30, 2007	8,260,000	
Granted December 20, 2007; expire December 20, 2012	2,500,000	$0.41
Granted March 25, 2008; expire March 25, 2013	130,000	$0.45
Options forfeited	(435,000)	
Balance outstanding, September 30, 2008	10,455,000	

12. Share capital (continued)

The following table summarizes information about the options outstanding and exercisable at September 30, 2008:

Options outstandng				Options exercisable	
	Exercise price	*Options*	*Contractual life remaining, years (weighted average)*	*Options*	Exercise price
$	0.69	1,120,000	1.5	1,120,000	$ 0.69
$	1.55	4,300,000	2.5	4,300,000	$ 1.55
$	1.00	2,455,000	3.2	1,800,832	$ 1.00
$	1.15	100,000	3.7	66,666	$ 1.15
$	0.41	2,350,000	4.2	-	$ 0.41
$	0.45	130,000	4.5	-	$ 0.45
$	1.05	10,455,000		7,287,498	$ 1.28

(d) Stock Based Compensation expense

During fiscal 2008, the Company recorded $641,893 (2007: $1,101,023) of stock based compensation expense with a corresponding increase to Contributed Surplus. The Company has not capitalized any of the stock based compensation expense recorded.

The fair value of the options granted in the current year was determined using the Black-Scholes option pricing model with the following assumptions: expected volatility of 82%, risk-free interest rate of 3.0% and an expected life of 4 years and a dividend yield of NIL.

(e) Common Share Purchase Warrants

Share purchase warrants outstanding are as follows:

Balance outstanding, September 30, 2006	15,900,000	
Exerciseable for eighteen months from June 6, 2007	1,566,000	$1.15
Expiry of warrants on August 19, 2007	(15,000,000)	$1.50
Balance outstanding, September 30, 2007	2,466,000	
Expiry of warrants on August 19, 2008	(900,000)	$1.00
Balance outstanding, September 30, 2008	1,566,000	

13. Contributed surplus

	September 30, 2008	September 30, 2007
Balance, beginning of year	$ 21,960,027	$ 20,170,769
Stock based compensation (note 12(d))	641,893	1,101,023
Broker warrants (note 12(e))	-	730,735
Exercise of options	-	(42,500)
Balance, end of year	$ 22,601,920	$ 21,960,027

14. Capital management

The Company's total capital resources are $86,861,911with this amount comprised entirely of shareholders' equity. In January 2008, the Company concluded an agreement with a Canadian chartered bank to provide a credit facility in the maximum amount of 65% of the face value of the Company's remaining non-bank ABCP investment. Advances made under the credit facility will bear interest at the bank's prime rate plus 0.5% per annum and will be secured by the Company's investment in non-bank ABCP (note 6). After the sale by the Company of one-third of its SAT series-A commercial paper in July, 2008, the maximum amount available under the facility is $6.50 million.

Funding under the credit facility is available to be drawn in one lump-sum, and must be repaid by October 31, 2009. There are no restrictive covenants on the facility other than the bank's first right to repayment upon receipt of funds from realization of the ABCP investment. As at September 30, 2008, no amounts have been drawn against the credit facility.

Consistent with prior periods, the Company manages its capital structure to maximize its financial flexibility making adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company does not presently utilize any quantitative measures to monitor its capital.

15. Other income

	Years ended September 30, 2008	2007
Loss on marketable securities	$ (120,533)	$ -
Gain on sale of inactive subsidiary	871,298	-
Settlement of legal claim	1,937,500	1,824,246
Proceeds on utilization of unrecognized tax losses	1,252,971	-
Recovery on settlement of accounts payable	-	369,624
	$ 3,941,236	$ 2,193,870

The Company's former operations as a merchant bank continue to result in the intermittent receipt of revenues from legal settlements, recovery of amounts previously written-off or for which allowances were provided, and certain revenues are realized and expenses incurred that relate to or arise from these former operations. The Company records such items as other income.

During the year ended September 30, 2008 the Company disposed of its entire portfolio of marketable securities for proceeds of $154,205 resulting in the recognition of a loss of $120,533.

The Company recorded a gain, net of selling expenses, of $871,298 from the disposition of shares of an inactive subsidiary. The proceeds from sale were US$51,000 of which the Company received US$1,000 in cash and a promissory note for the remainder. The promissory note comes due on May 1, 2009 and is included with accounts receivable in the consolidated financial statements. The disposition resulted in the elimination of the non-controlling interest in the U.S. subsidiary together with liabilities related thereto in the amount of $833,298 from the consolidated balance sheet of the Company. This amount has been recorded in other income as part of the gain on the sale of the inactive subsidiary.

A settlement agreement arising from an action the Company brought against its former auditors in September 2003 was concluded in the current year. The funds were received subsequent to year end therefore the proceeds are included in accounts receivable in the consolidated financial statements.

During the current year, the Company received net proceeds of $1,252,971 upon completion of several transactions that resulted in the utilization of previously unrecognized income tax losses.

A gain on the settlement of a legal claim for $1,324,246 was recorded in the comparative period, and arose from the conclusion of, and satisfaction of all conditions related to a legal settlement agreement reached with former officers of the Company. An additional $500,000 settlement was reached on a separate legal claim on September 25, 2007 that related to the former operations of the Company.

The recovery on settlement of amounts payable recorded in 2007 resulted from the same settlement referred to above, and was recorded in the first quarter of 2007 as the Company had determined that the liabilities being carried on its books at the end of the quarter would not be paid to the former officers in accordance with the settlement agreement.

16. Income taxes

The differences between the income tax provision calculated using statutory rates and the reported income tax provision are as follows:

	Years ended September 30, 2008	Years ended September 30, 2007
Net loss before income taxes and non-controlling interests	$ (5,496,675)	$ (6,014,654)
Federal and provincial statutory rate	*29.88%*	*32.12%*
Expected income tax recovery	$ (1,642,406)	$ (1,931,907)
Non-deductible payments and provisions	1,119,062	672,688
Non-taxable gains	(666,445)	-
Benefit of utilization of tax losses of previous years	6,684,460	-
Capital losses from sale of inactive subsidiary	(5,468,820)	-
Valuation allowance adjustments	(1,724,215)	(238,408)
Adjustment to prior year balances and rates	1,643,364	2,036,427
	$ (55,000)	$ 538,800

The tax effects of temporary differences that give rise to future tax balances at September 30 are:

	September 30, 2008	September 30, 2007
Future tax assets:		
Capital loss carryforwards	$ 5,842,667	$ 364,148
Share issuance expense and other assets	502,564	936,814
Asset retirement obligation	113,858	66,484
Non-capital loss carry forwards	12,563,430	19,427,927
Total future income tax assets	19,022,519	20,795,373
Valuation allowance	(19,004,674)	(20,728,889)
Future tax liabilities:		
Property and equipment	(2,550,645)	(2,654,284)
Net future income tax liability	$ (2,532,800)	$ (2,587,800)

As at September 30, 2008, the Company has capital losses of $42.2 million and accumulated non-capital losses for tax purposes of $46.5 million in Canada, expiring between 2009 and 2014, which can be used to reduce income taxes otherwise payable. A valuation allowance has been recorded against these future income tax assets, as the Company cannot demonstrate that it is more likely than not that these assets will be realized by the application of these losses to reduce or eliminate taxes on taxable income in future periods.

17. Commitments

Resource
The Company's contractual resource related commitments initially amounted to $3.6 million (US$3.1 million) for exploration and development commitments made pursuant to the granting of petroleum exploration licences by the Government of Pakistan. The Company has pledged this amount in cash as security against the guarantee (Note 6). Cumulative exploration and development expenditures incurred to September 30, 2008 have reduced the remaining commitment to $2.1 million.

Administrative
The Company has leased office space in Calgary, Alberta under an agreement which expires on July 2013 with monthly rent expense of $9,534 from August 1, 2008 to July 31, 2010 changing to $9,863 per month for the remainder of the term.

The Company has leased office space in Islamabad, Pakistan for a two year term expiring on June 12, 2009. The lease agreement contains an early termination clause stating that either the landlord or the Company can cancel the lease upon sixty days prior written notice. The estimated cost remaining under the lease obligation reflected below assumes no early termination.

17. Commitments (continued)

The following schedule outlines the Company's annual commitment under these agreements:

		Amount
Year ending:		
September 2009	$	141,408
September 2010		115,066
September 2011		118,356
September 2012		118,356
September 2013		98,630
	$	591,816

18. Financial instruments

Financial risk management
The Company as part of its operations carries a number of financial instruments including cash and short-term deposits, accounts receivable, accounts payable and accrued liabilities and notes payable. The Company is exposed to the following risks related to financial assets and liabilities:

(a) Interest rate risk

The Company maintains its short-term deposits in instruments that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations thereon. Other interest rate risks on the Company's obligations are not considered material.

(b) Credit risk

The Company's accounts receivable are primarily from joint venture partners, government agencies and customers operating within the international petroleum and natural gas industry, and are subject to credit and political risks that would be considered normal in this environment.

The Company has an investment with a maturity value of C$10.0 million in non-bank Canadian Asset Backed Commercial Paper with a maturity date of August 14, 2007. The Company made an estimate of the impact of the credit risk when calculating a valuation discount as at September 30, 2008 (note 6).

(c) Foreign currency exchange risk

The Company is exposed to risks arising from fluctuations in currency exchange rates between Canadian dollars, United States dollars and Pakistan rupees. At September 30, 2008 the Company's primary exposures relate to U.S. dollars held on deposit for the Government of Pakistan and for commitments related to expenditures on petroleum and natural gas properties.

Cash and cash equivalents	US $	641,594
Restricted cash		3,085,625
Accounts receivable		2,085,746
Accounts payable and accrued liabilities		(4,253,195)
Net foreign exchange exposure	US $	1,559,770

At September 30, 2008 if the Canadian dollar had strengthened by 10% compared to the U.S. dollar and all other variables were held constant, after tax net income would have been $0.2 million lower. Conversely, if the Canadian dollar had weakened by 10% an equal increase of $0.2 million to after tax net income would have resulted.

(d) Fair Value

The recorded value of the majority of the Company's financial assets and liabilities approximate their fair values due to their demand nature or because of their relatively short term to maturity.

18. Financial instruments (continued)

(e) Liquidity risk

The Company monitors its liquidity position regularly to ensure that it has the funds necessary to complete planned exploration commitments on its petroleum and natural gas properties or that viable options are available to fund such commitments from new equity issuances or alternative sources such as farm-out agreements. However, as an exploration company at an early stage of development and without significant internally generated cash flow, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that actual exploration expenditures may exceed those planned.

19. Litigation

The Company is involved in a number of lawsuits that remain outstanding from its former business activities as a merchant bank – as plaintiff in some cases and as defendant in others. The Company assesses each lawsuit on an action by action basis as to the probability that a claim will be successful. Claims are not reflected as an asset or recovery in the consolidated financial statements until such time that there is a high degree of probability that the claim will be successful, taking into consideration all avenues of appeal and settlement. Claims reflected as liabilities or expenses are recorded when the amount can be estimated and the occurrence of the payment of the claim is likely although the actual amount may differ from what had been previously estimated. A summary of each claim is as follows:

(a) Hotel property foreclosure

A Company subsidiary was sued by the first mortgage holder on a hotel property to recover $2,814,969, being the claimed shortfall between the net proceeds from the judicial sale of the foreclosed property and the outstanding debt secured by the property plus additional interest and costs from the defendants. The Company believes it has valid defenses to this claim and accordingly has not recorded any related liability.

The former unit-holders and shareholders of the subsidiary commenced an action against the Company for non-performance on a $650,000 note payable due in respect of the acquisition of the subsidiary. The Company believes it has valid defenses to this claim, however the principal amount of the obligation is still recorded as a note payable (note 9).

(b) Former auditors

The Company brought an action in September 2003 against the former auditors of the Company, alleging breach of contract, negligence, and breach of statutory duty in the performance of its audit of the Company's financial statements for the fiscal years 1998 to 2001, inclusive. Subsequent to September 30, 2008 the Company settled this action for proceeds of $1,937,500. This was recorded as other income and is part of the consolidated accounts receivable balance as at September 30, 2008.

(c) Chateau Hotels

The Company previously had loaned $542,419 to Chateau Hotels and Resorts Inc. ("Chateau"); a provision for impairment for the full amount outstanding has been provided for in prior periods. A company related to Chateau is claiming that it is owed a total of approximately $900,000 for services performed pursuant to an oral agreement. The company related to Chateau has requested payment of the balance and the Company's management has refused. The company related to Chateau has filed a statement of claim and the Company has filed a claim against Chateau for the balance of the note plus interest. The outcome of this matter is not determinable at this time. Subsequent to year end, the Company was able to settle this claim with no financial impact.

(d) Other

Various other legal actions remain unresolved however the outcome of the actions is considered unlikely to have any material effect on amounts presently recorded in the Company's financial statements

20. Related party transactions

a) For the year ended September 30, 2008, the Company recorded $241,685 (2007 - $297,177) for Directors fees and related costs. At September 30, 2008, $41,728 (2007 - $30,200) was due to these directors and included in accounts payable and accrued liabilities in the consolidated balance sheet.

b) In connection with its Pakistan operations, the Company shares certain office facilities, personnel, and other office and administrative costs with a company for which certain officers and directors are also Directors of the Company. For the year

20. Related party transactions (continued)

ended September 30 2008, the Company's share of these costs amounted to $255,580 (2007: $300,618); there was no amount outstanding at the year end.

c) In May 2007, the Company commenced providing financial and accounting services to Loon Energy Inc. ("Loon"), which owns 6.4% of the outstanding shares of the Company. Two directors and officers of Loon are directors of the Company. For the year ended September 30, 2008, the Company charged fees and associated costs totaling $270,708 (2007 – $141,011). At September 30, 2008, $33,555 (2007 – $141,011) was due from Loon and included in accounts receivable on the consolidated balance sheet.

The above related party transactions were at exchange amounts agreed to by both parties which approximate their fair value.

21. Subsequent event

The Company and their partner, Petroleum Exploration (Pvt) Limited ("PEL"), entered into an agreement in respect of six exploration concessions in Pakistan with Gulf Petroleum Exploration International ("GPX"). Pursuant to the agreement, the Company and PEL will each assign 12.5% working interest in the following concessions to GPX: Badin IV North, Badin IV South, Kandra (excluding Sui Main Limestone development), Salam, Mirpur Mathelo, and Karsal. The conditions, to which the agreement was subject, including the execution of definitive assignment agreements by all parties and the Government of Pakistan, have all been fulfilled, and the agreement has closed, subsequent to year end, with an effective date of April 1, 2008.

Under the terms of the agreement, GPX's obligations to the joint venture are to pay (i) 66.67% of the first US$6 million in expenditures to drill the first 4 exploration wells of the work program in the blocks, (ii) 58.33% of the first US$6 million in expenditures to drill the next 5 exploration wells of the program in the blocks, and (iii) 50% of the first US$6 million in expenditures to drill an additional 2 wells, contingent on there being at least 4 commercial discoveries from the first 9 wells drilled. In addition, the Company received cash consideration of US$4.25 million on November 26, 2008 from GPX towards historical costs and will be further credited for 50% of GPX's working interest share of costs incurred from April 1, 2008, estimated to amount to US$2.3 million.

22. Segmented information

The Company's reportable business segments include its oil and gas operations carried out in Pakistan, the corporate costs incurred in Canada and the discontinued merchant bank operations in the United States.

	Year ended September 30, 2008			
	Canada	Pakistan	USA	Consolidated
Petroleum and natural gas sales	$ -	$ 1,623,272	$ -	$ 1,623,272
Sales tax		(222,460)	-	(222,460)
Royalty		(144,091)	-	(144,091)
Interest income	271,383	130,774	-	402,157
Other income	3,941,236	-	-	3,941,236
	4,212,619	1,387,495	-	5,600,114
Less: Expenses				
Production		340,427	-	340,427
Administration	3,256,462	339,242	-	3,595,704
Unrealized foreign exchange gains	11,412	(138,064)	-	(126,652)
Realized foreign exchange losses	285,755	17,847	-	303,602
Realized loss on other assets	2,505,000	-	-	2,505,000
Valuation allowance on other assets	3,260,950	-	-	3,260,950
Depletion, depreciation and accretion	16,406	1,201,352	-	1,217,758
Non-controlling interest	-	36,262	-	36,262
Future income tax expense	-	(55,000)	-	(55,000)
Net loss for the year	$ (5,123,366)	$ (354,571)	$ -	$ (5,477,937)

	As at September 30, 2008			
Total assets	$ 10,076,271	$ 87,156,007	$ -	$ 97,232,278
Property and equipment expenditures	$ 25,890	$ 17,000,758	$ -	$ 17,026,648

JURA ENERGY CORPORATION

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